

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 104

February 9, 2011

SUMMARY OF BILL: Requires professional athletes and professional entertainers earning more than \$50,000 annually to pay a privilege tax of \$400 per year. Creates the Juvenile Court-Related Programs Fund into which revenue from the tax will be deposited. Requires the State Treasurer to allocate resources from the Fund to the Administrative Office of the Courts (AOC) to fund programs and activities benefiting juvenile courts.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$832,000/Recurring/Juvenile Court-Related Programs Fund

Increase State Expenditures –

\$9,200/One-Time

\$132,200/Recurring

\$832,000/Recurring/Juvenile Court-Related Programs Fund

Assumptions:

- Five North American Industry Classification System (NAICS) codes were utilized to determine an estimate for the number of potential in-state taxpayers (711211 Sports Clubs and Teams, 711130 Musical Groups and Artists, 711120 Dance Companies, 711190 Other Performing Arts Companies, and 711510 Independent Artists, Writers, and Performers).
- Based on the NAICS code data, there are approximately 5,200 in-state individuals who are potential taxpayers.
- Based on U.S. Census Bureau data from 2009, the median earnings for these individuals was \$30,488 per year.
- Median earnings remain constant in subsequent years.
- Given the low median earnings wage of \$30,488 relative to the \$50,000 wage threshold established in this bill, it is estimated that 20 percent (or 1,040) of all potential in-state taxpayers will earn more than \$50,000 per year.
- DOR estimates 1,040 additional out-of-state professional athletes and professional entertainers will exceed the \$50,000 earnings threshold and will be liable for the proposed privilege tax.
- The total number of taxpayers is estimated to be 2,080 (1,040 in-state + 1,040 out-of-state).

- A collection rate of 100 percent.
- The increase of privilege tax revenue earmarked to fund programs and activities that benefit juveniles is estimated to be \$832,000 per year (2,080 taxpayers x \$400 tax).
- Two additional Taxpayer Services Representatives for the Department of Revenue to administer the new tax. The one-time increase to state expenditures related to these positions is estimated to be \$9,200 (for office landscaping and computers). The recurring increase in state expenditures from these two positions combined is \$76,200 per year (\$54,000 salary; \$17,800 benefits; and \$4,400 for communications, supplies, training, etc.).
- One additional position for AOC to administer the program at a cost of \$56,000 per year (\$39,000 salary, \$14,400 benefits, and \$2,600 for communications, supplies, training, etc.).
- The total recurring increase to state expenditures for the three positions is estimated to be \$132,200 (\$76,200 + \$56,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc